

SAINT MARY'S HOSPITAL

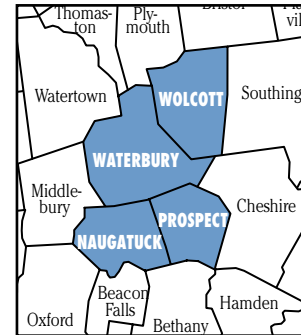
Saint Mary's Hospital, founded in 1907, is located in Waterbury and, in addition to that city, primarily serves three other towns. In FY 1999, the hospital staffed 165 of

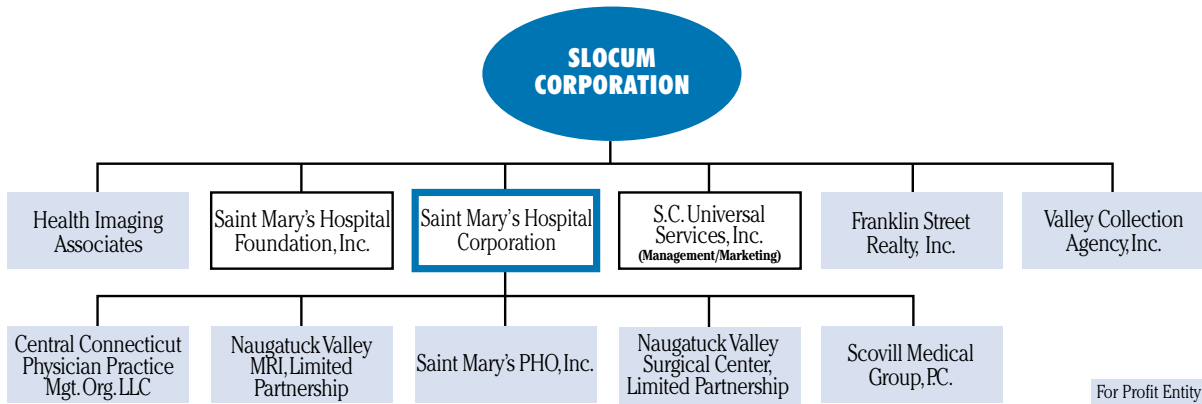


its 379 licensed beds and employed 1,386 Full Time Equivalents. Saint Mary's Hospital is affiliated with the Yale University School of Medicine and

with St. Francis Medical Center in Hartford.

The hospital's average age of plant is 8.1 years as compared to the U.S. average of 9.2 years.



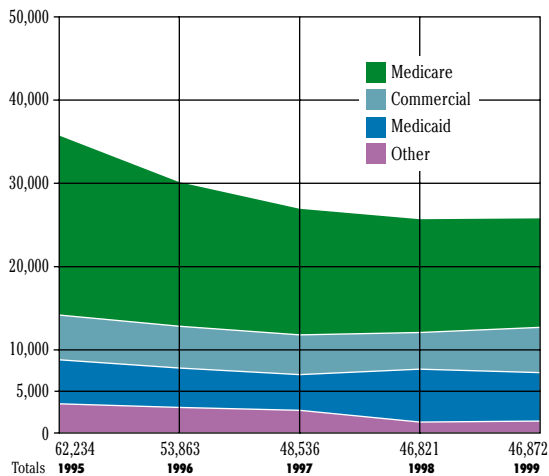


MARGINS	1997	1998	1999
Total margin	24.62%	2.10%	-0.62%
Operating margin	7.32%	-0.60%	-3.58%

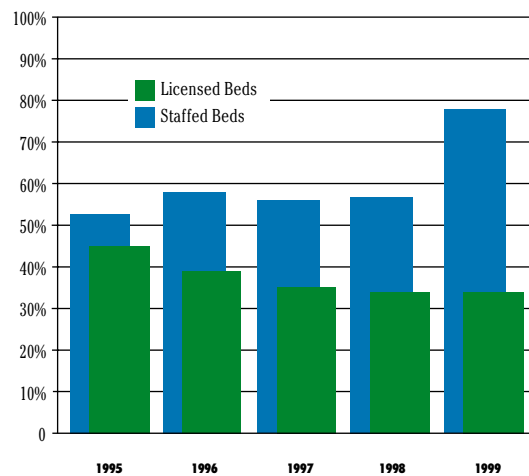
PAYMENT TO COST RATIOS BY PAYER			
Ratio of cost to charges	.57	.57	.56
Medicare Payment to Cost	1.12	.99	.92
Medicaid Payment to Cost	.66	.65	.82
Private Payment to Cost	1.22	1.14	1.02
Uncompensated Care Cost	\$7,226,181	\$5,777,503	\$5,820,021
Total expenses	\$106,526,327	\$117,849,535	\$128,413,068
Uncompensated care % of total expenses	6.78%	4.90%	4.53%

CAPITAL STRUCTURE RATIOS			
Equity financing ratio	37.90%	39.08%	36.43%
Debt service coverage	4.25	3.00	0.99

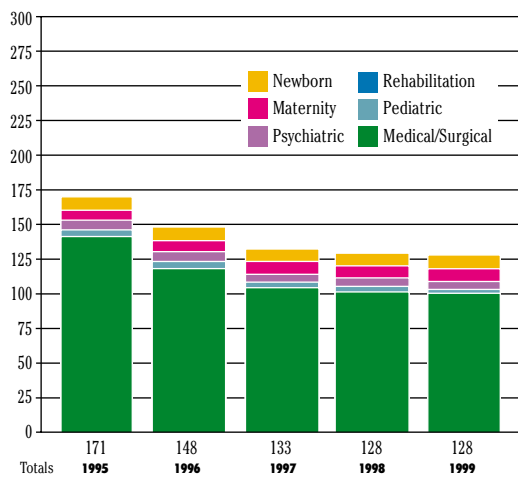
LIQUIDITY MEASURES			
Days of expenses in accounts payable	83.08	82.61	73.26
Days cash on hand	0.38	3.89	2.94
Days of revenue in accounts receivable	52.51	52.80	57.85



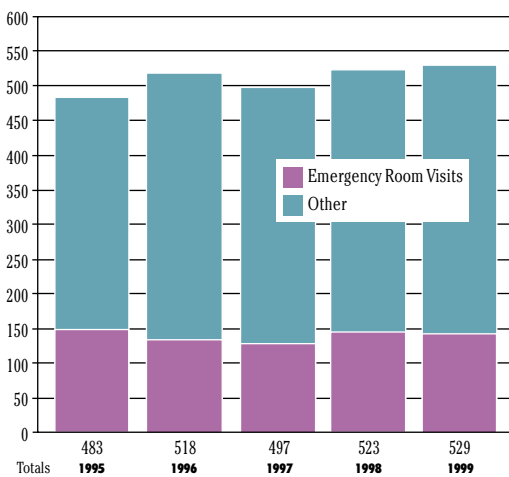
PATIENT DAYS BY PAYER



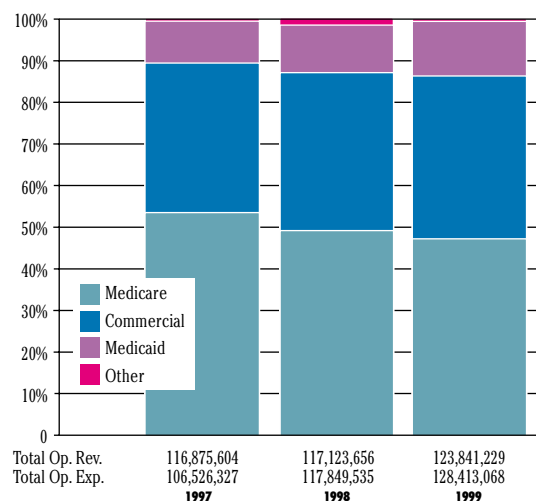
AVERAGE OCCUPANCY



AVERAGE DAILY CENSUS BY SERVICE



AVERAGE DAILY OUTPATIENTS



NET PATIENT REVENUE BY PAYER

KEY PERFORMANCE DRIVERS

- ◆ Volume at St. Mary's Hospital has been shifting from inpatient to outpatient care. Inpatient discharges fell from 12,639 in 1995 to 10,660 in 1999. Outpatient volume has simultaneously increased.
- ◆ In 1999, St. Mary's experienced significant operating losses. The principal causes include: declining Medicare reimbursement, low Medicaid payment, relatively low commercial payment to cost ratios, and continued provision of needed services that generate negative margins.
- ◆ Competition between St. Mary's and Waterbury Hospital has been intense over many years.
- ◆ Management implemented a series of initiatives designed to improve financial results, including staff reduction, a service-by-service financial analysis, improving medical staff relations, reducing losses in affiliated physician practice and other affiliates, and changes to employee benefits. The initiatives have been effective and should allow the hospital to avoid violating covenants in the future.

SITE VISIT ISSUES RAISED BY HOSPITAL MANAGEMENT

Distress and Turnaround. St. Mary's went from generating positive operating income of \$7.5 million in 1997 to operating losses of \$7.6 million in 1999. The hospital's management and board have implemented several initiatives to improve performance. These initiatives are leading to better results in 2000.

Waterbury Hospital. While St. Mary's and Waterbury are competitors, they have also collaborated on several programs. The hospitals are currently building a regional cancer center and also have submitted a request to jointly provide angioplasty services.

Behavioral Health. As a result of the service-by-service financial analysis, the hospital requested permission to close its inpatient behavioral health program. In late 1999, the hospital complied with a statewide voluntary moratorium on reductions of behavioral health services and withdrew this request.

Unprofitable Services. St. Mary's recently closed its Emergency Decision Unit. The unit was considered valuable for patient care but reimbursement was low. St. Mary's is committed to its mission and is concerned about its ability to continue providing unprofitable services that are needed by the community.

Workforce Issues. St. Mary's is experiencing a staffing shortage in key clinical areas.